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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 08/29/07

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ARTICLES:

(1) Opinion poll: Support rate for new Abe cabinet at 40.5 PERCENT

SANKEI (Page 5) (Full)
August 29, 2007

In the wake of the establishment of the new Abe cabinet, Kyodo News Service conducted a nationwide telephone opinion survey from the

night of August 27 through the 28th. The rate of support increased 11.5 points to 40.5 PERCENT from the previous survey conducted on July 30-31 immediately after the July 29 House of Councillors election. The disapproval rate dropped 13.5 points to 45.5 PERCENT . The approval rate has surpassed the 40 PERCENT level for the first time since mid-May.

Asked for reasons for supporting the cabinet, 34.3 PERCENT of respondents -- the largest number -- said "because there is no one more appropriate," 25.0 PERCENT cited "trust in the prime minister," and 9.4 PERCENT said because they pin hopes on political reform. A mere 2.2 PERCENT of respondents said the prime minister has leadership.

(2) Spot poll on new Abe cabinet

YOMIURI (Page 2) (Full)
August 29, 2007

Questions & Answers
(Figures shown in percentage)

Q: Prime Minister Abe shuffled his cabinet on Aug. 27. Do you support the new Abe cabinet?

Yes 44.2
No 36.1
Other answers (O/A) 2.6
No answer (N/A) 17.1

Q: When you saw the Abe cabinet's new lineup and his ruling Liberal Democratic Party's new executive lineup, did you think Prime Minister Abe has changed his political approach?

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Yes 25.0
Yes to a certain degree 14.2
No to a certain degree 10.3
No 37.5
N/A 12.9

Q: Do you think something can be expected of the new cabinet as compared with the one before its shuffle?

Yes 54.8
No 28.1
Can't say which 9.5
N/A 7.6

Q: Do you think the new cabinet has many people who are able or experienced?

Yes 62.1
No 22.7
N/A 15.3

Q: Do you think the new cabinet has many people who are fresh?

Yes 28.1
No 57.8
N/A 14.1

Q: Do you think the new cabinet has many people who are close to Prime Minister Abe?

Yes 29.7
No 48.0
N/A 22.3

Q: Do you think Prime Minister Abe considered LDP factions and heavyweights?

Yes 54.9
No 26.4

N/A 18.6

Q: What would you like the new cabinet to tackle on a priority basis? Pick as many as you like from among those listed below, if any.

Economy, employment 82.4
Consumption tax 57.3
Pension system 87.5
Social divide 56.2
Education 69.5
North Korea 63.2
Politics and money 73.4
Constitutional revision 35.1
O/A 0.6
Nothing in particular 0.5
N/A 1.0

Q: Do you think it would be better to dissolve the House of Representatives as soon as possible for a general election?

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Yes 38.8
No 53.2
N/A 8.0

Q: Which political party do you support now? Pick only one.

Liberal Democratic Party (LDP) 31.8
Democratic Party of Japan (DPJ or Minshuto) 30.9
New Komeito (NK) 4.0
Japanese Communist Party (JCP) 2.4
Social Democratic Party (SDP or Shaminto) 1.9
People's New Party (PNP or Kokumin Shinto) 0.3
New Party Nippon (NPN or Shinto Nippon) 0.1
Other political parties ---
None 25.2
N/A 3.5

Polling methodology: The survey was conducted from 7 p.m., Aug. 27, through Aug. 28 on a computer-aided random digit dialing (RDD) basis. A total of 1,753 households were found to have one or more eligible voters. Valid answers were obtained from 1,036 persons (59.1 PERCENT).

(3) Council on Economic and Fiscal Policy losing voice in decision making

MAINICHI (Page 11) (Abridged)
August 29, 2007

The Council on Economic and Fiscal Policy (CEFP), which has been serving as a driving force behind the structural reform drive by the Koizumi and Abe administrations, is on the verge of collapse. The reason is that with the opposition bloc controlling the House of Councillors following the July election, chances are increasing that the authority to coordinate and determine essential economic policies will shift to talks between the ruling and opposition camps and between the government and ruling coalition. Although Hiroko Ota, who will continue to serve as state minister in charge of economic and fiscal policy in the new Abe cabinet, has described fiscal consolidation and economic growth as "two wheels of a cart," the government's economic policy itself might change in quality.

The Abe administration, inheriting the scheme of overhauling the nation's revenues and expenditures at the same time from the previous Koizumi administration, has aimed at achieving a budget surplus in 2011. The CEFP chaired by Prime Minister Abe produced in June what is called the Economic and Fiscal Reform 2007 that advocates continued spending cuts.

The CEFP is markedly less powerful than during the Koizumi era when the council often bulldozed its views regarding postal privatization and other tough issues. Still, the council has been serving as the venue for the Kantei (Prime Minister's Official Residence) to make

policy decisions, allowing Prime Minister Abe to squelch objections in the government and ruling parties.

That was all based on the ruling bloc's dominance in the Diet. The situation has dramatically changed with the subsidy-oriented Democratic Party of Japan's overwhelming victory in the July Upper House election.

In reshuffling his cabinet, Abe has given the post of chief cabinet

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secretary to Kaoru Yosano, a former economic and fiscal policy

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minister and currently a CEFP member attaching importance to fiscal discipline. Abe has also retained Economic and Fiscal Minister Ota. But today's political situation no longer allows the CEFP to play a central role in decision making.

The opposition bloc is likely to press the ruling coalition hard for greater spending in the upcoming budget compilation. Even if the CEFP calls for strict fiscal discipline and a continued reform course, its voice might be toned down in Diet deliberations.

(4) Facts about civilian control (Section 4): Thinking of SDF as Japan's new garrison-SDF in transformation (Part 4): Gulf trauma expands SDF's overseas activities

TOKYO (Page 1) (Full)
August 22, 2007

One says Japan has a "trauma" from the Gulf War.

In 1990, Iraqi troops crossed the border and invaded Kuwait. Multinational forces launched operations to remove the Iraqi occupation troops in Kuwait in the Gulf War. Japan contributed a huge amount of money to the tune of 13 billion dollars, equivalent to 1.7 trillion yen at the time. However, Japan came under fire in the international community for not sending any troops from its Self-Defense Forces to help Kuwait. Japan was blamed for shedding no blood or sweat.

Japan felt small in those days. This bad feeling became a trauma, which motivated Japan to send SDF members for overseas activities. Whenever Japan was called to send SDF troops for overseas activities, the Gulf War trauma always flashed back in the Diet. What was the truth?

In March 1991, the government of Kuwait ran an advertisement in a US newspaper to thank 30 countries, including the United States. Japan's name was not on the thank-you list.

The then chief cabinet secretary, Koichi Kato, a former secretary general of the ruling Liberal Democratic Party, recalls: "In the LDP, 40 PERCENT were upset. But 60 PERCENT in the party gave up because they knew money can't buy everything."

In point of fact, however, the 13 billion dollars might have been mostly paid to the United States, which led the multinational forces.

In addition to its initial donation, Japan seconded the multinational forces with another outlay of 9 billion dollars or 1.18 trillion yen. In that money's disclosed breakdown, 1.079 yen went to the United States. However, the amount of money that went to Kuwait was only 630 million yen—far smaller than the money paid to the United States. The money was originally for the postwar reconstruction of Kuwait. However, the money was not used for that purpose. That is why Japan was not in the thank-you ad.

"That's the Foreign Ministry's fault," says a former high-ranking official of the government. This former government official added: "Japan paid the greater part of the war costs. But the Foreign Ministry didn't explain this fact to Kuwait. They say a country that makes no personnel contributions is not appreciated in the world."

That's wrong."

However, the Japanese government did not give up on personnel contributions in the Gulf War.

In August 1990, when Iraq invaded Kuwait, a group of Foreign Ministry officials gathered every night in their administrative vice minister's room. Their meetings lasted till dawn. The discussions heated up on whether to send civilians like the Japan Overseas Cooperation Volunteers (JOCV) or whether to send SDF personnel. The then administrative vice foreign minister, Takakazu Kuriyama, maintained that the SDF is a military force. The Foreign Ministry then planned to have SDF members take days off and send these off-duty SDF members in the capacity of civilians.

However, the then LDP secretary general, Ichiro Ozawa, who now heads the leading opposition Democratic Party of Japan (Minshuto), agreed with the Defense Agency, now the Defense Ministry, on its plan to send SDF members. The government brought a "United Nations Peace Cooperation Bill" before the Diet. However, the opposition bench voted against the legislation. In the end, the bill died stillborn. What came up next was an agreement of the LDP, New Komeito, and the Democratic Socialist Party (DSP or Minshato) to create another body that is apart from the SDF. This non-SDF entity was intended to work together with the United Nations on its peacekeeping operations. It was a compromise with an image of civilians.

The idea of launching a non-SDF body faded out in the process of parliamentary deliberations. Instead, a law for cooperation on UN peacekeeping operations or the so-called PKO Cooperation Law, which features allowing Japan to send SDF personnel for overseas activities, was enacted in June 1992. The LDP often referred to the "Gulf War trauma" as a telling phrase.

Nine years later, in September 2001, terrorists attacked the United States at its nerve centers. Shortly thereafter, the Foreign Ministry asserted that the Gulf War trauma must not be repeated. The Diet speeded up its deliberations to legislate special measures against terrorism. After a month's deliberations, the legislation was enacted into the Antiterrorism Special Measures Law. Under this antiterror law, Japan has sent a Maritime Self-Defense Force squadron to the Indian Ocean to back up an antiterror campaign in Afghanistan.

The "Gulf War trauma" was talked about in Diet deliberations on the Iraq Special Measures Law for Japan's dispatch of SDF troops to Iraq. "The SDF makes a good show when going out," says former Ambassador to the United States Shunji Yanai, who was director general of the Treaties Bureau at the Foreign Ministry when the Gulf War broke out. "In the case of 13 billion dollars," Yanai added, "it doesn't."

What touched off the "Gulf War trauma"? Was it really the Foreign Ministry's fault? The trauma has been a source of energy for Japan to expand the scope of SDF activities overseas. In December last year, the Self-Defense Forces Law was revised at long last to task the SDF with overseas activities as its primary missions. Its magic spell is still alive.

(5) UN geographical panel supports Japan's rebuttal, noting, "A new name can't be forced on Japan"

SANKEI (Page 2) (Full)
August 29, 2007

Masako Nagato, New York

The ninth United Nations Conference on the Standardization of Geographical Names was held. In the session on Aug. 27, South Korea and North Korea suggested renaming the Sea of Japan "East Sea" or "Korean Sea" respectively, but the discussion made no headway with

many participants favoring Japan's rebuttal saying that "this conference is neither a conference to discuss a certain geographical dispute over renaming nor is it a conference with the authority to decide on a geographical name."

South Korea and North Korea have made similar assertions since 1992, the year after they joined the UN, but Chairman Ormelind indicated that the matter should be resolved through talks among the countries concerned, noting: "Each country cannot force other countries to use a certain geographical name. The standardization of geographical names will be promoted if there is a consensus among the countries concerned."

Japan intends to hold discussions with South Korea, but the South Koreans criticize Japan's position, arguing, "Japan is not cooperative about consultations."

South Korea and North Korea have insisted that they have historically called this sea area the "East Sea" or the "Korean Sea", but that they were forced by Japan to call it the Sea of Japan.

On the other hand, Japan rebutted that Western countries in their maps created in the early 19th century already called that area the "Sea of Japan," and that the act of naming it the "Sea of Japan" had nothing to do with Japan's colonial rule of Korea.

Japan also explained that the name "Sea of Japan" has been endorsed or used by the UN and the International Hydrographic Organization (IHO), adding that a survey conducted in 2005 by the Ministry of Foreign Affairs found that some 90 PERCENT of textbooks and maps used by 67 countries described that area the Sea of Japan.

According to the Japanese government, there was no country that declared its support for either South Korea's or North Korea's proposal, but Japan's assertion received agreement from Australia, Britain, France, and some other countries, including indirect agreement.

(6) New Abe cabinet: Faltering growth strategy; Argument calling for putting on hold consumption tax hike; Premise for corporate tax break collapses

ASAHI (Page 9) (Excerpts)
August 29, 2007

Prime Minister Abe replaced some key ministers in the cabinet shuffle on Aug. 27. The new cabinet has gotten under way with the opposition camp now controlling the Upper House. It is going to face many tough issues including an extension of the Antiterrorism Special Measures Law, the immediate focus of attention, as well as a number of livelihood issues, including tax reform, pensions and education. Where is policy heading now?

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Tax and fiscal policy

Asked about his impression of the new Abe cabinet, Yasuaki Wakui, president of Kuraray, a leading chemical company, during a press conference on Aug. 28, categorically said, "I cannot possibly imagine this cabinet will serve out until the Lower House members' tenure expires in Sep. 2009." He continued, "It is not possible now for the cabinet to adopt policies as we wish. I don't think we can drastically reform the tax system. The cabinet has no power base to accomplish its various policy goals."

Business circles are increasingly concerned that the realization of a corporate tax break, on which they are pinning high hopes, might be put off further into the future. A corporate tax reduction intended to boost the competitiveness of companies and to lure foreign companies has been a key pillar of the government's growth strategy, which is one of the showcases of the Abe cabinet's management of the economy and fiscal administration.

Business circles have been strengthening a call for lowering by 10

PERCENT the effective tax rate of 40 PERCENT imposed on companies. It would have been a major tax break amounting to 4 trillion yen. However, their calculation was derailed due to the crushing defeat of the ruling parties in the July Upper House election.

The newly-appointed Chief Cabinet Secretary Yosano attaches importance to the reconstruction of public finances. Some business leaders take the view that Yosano is negative about a corporate tax cut because he attaches importance to fiscal reconstruction, as can be seen in the fact that he played a leading role in the fiscal structural reforms of the Hashimoto administration.

What makes this prospect more decisive is the fact that it has become difficult to hike the consumption tax, which had been regarded as a precondition for a corporate tax break. It had been expected that a bill hiking the consumption tax would be introduced during the ordinary Diet session next year. However, an increasing number of LDP Tax System Research Commission members now take the view that it would be useless to submit a bill that the opposition camp is strongly opposing.

Since the Democratic Party of Japan (DPJ or Minshuto) has become the first party in the Upper House election, even if the ruling camp submits a bill amending the tax system or a budget bill, it can no longer secure Diet approval for certain. In order to realize policy proposals, talks with the DPJ have become necessary, but it will not be an easy job.

The ruling camp has hinted at a desire to give priority to facing the DPJ over such issues as the Antiterrorism Special Measures Law and the "politics and money" scandals for the time being. However, if minimum pension benefits and subsidies for farmers become subjects for Diet debate, the issue of how to finance expanded benefit payouts will crop up. The DPJ has yet to make full preparations for discussions on such issues.

The cabinet will receive pressure not only from the DPJ but also from the ruling camp over the compilation of the fiscal 2008 budget.

In the budget request guidelines compiled right after the Upper
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House, the cabinet has managed to maintain its policy of cutting public works by 3 PERCENT and constraining social security spending by 220 billion yen. However, ruling party members are not content with the outcome, with some complaining, "We were defeated in the Upper House election, because we were unable to secure enough budgets for regional districts."

The fiscal environment is extremely harsh. Efforts to reconstruct state finance strapped with more than 580 trillion yen in outstanding balance of debts have yet to be put on the track.

DONOVAN